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PARLIAMENT OF BHUTAN

PUBLIC ACCOUNTS COMMITTEE

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20<sup>th</sup> September, 2013

**REPORT OF THE**  
**PUBLIC ACCOUNTS COMMITTEE (PAC),**  
**TO THE FIRST SESSION OF THE 2<sup>ND</sup>**  
**PARLIAMENT**

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  2. Yogesh Tamang (NA MP- Kilkhorthang-Mendrelgang Constituency) DY. CHAIRPERSON;
  3. Choida Jamtsho (NA MP-Nganglam-Pemagatshel) Member;
  4. Karma Tenzin (NA MP-Wamrong, Trashigang), Member;
  5. Karma Damcho Nidup (NC MP-Eminent), Member
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<sup>1</sup> Review Report of the AAR 2011 was slightly changed and enclosed at the end of the report.



# **REPORT OF THE PUBLIC ACCOUNTS COMMITTEE TO THE FIRST SESSION OF THE SECOND PARLIAMENT**

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## **1. Introduction**

The mandate of the Royal Audit Authority (RAA) is to audit & report on the economy, efficiency and effectiveness in the use of public resources. (Article 25.1 of the Constitution). Through its audit of the Annual Financial Statement of the government, the Authority checks on the economy aspect ensuring that public resources are accounted for and managed properly by the Executive as the implementing agency. The RAA also issues several recommendations, a series of suggested course of actions that need to be acted upon by audited agencies as well as relevant authorities in improving economy, efficiency and effectiveness of their operations in the use of public funds. The recommendations are generic and drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. The RAA also formulates the Auditor General Advisory Series to report on the findings and the recommendations of significant and frequently occurring issues or on specific issues of potential significant requiring timely attention of the government.

As stipulated under Article 25.5 and 25.6 of the Constitution of the Kingdom of Bhutan, the PAC has reviewed the Annual Audit Report 2012 submitted by the Auditor General to Parliament as well as the review reports on the Annual Audit reports of 2008-2011.

At this current Session, the Public Accounts Committee (PAC) report will focus on primarily the Annual Audit Report (AAR) 2012 and the review reports of the AARs 2008-2011. With regard to the recommendations contained in the AAR, the PAC will submit its views and suggestions for the directives of the House at the end.

The RAA had also submitted two AG Advisory Series on: Construction & Procurement 2007 and Enhancing Internal Audit system in RGOB 2011 as well as 26 Performance and Thematic Audit Reports in the last five years. Some had been deliberated upon by the First Parliament but as the content of many of the Performance Audit Reports pertain to measures to be taken up by various agencies, Parliament did not issue any explicit directive to the RAA. The PAC has therefore asked the RAA to review the status of the implementation of

these reports with the concerned agencies and submit an update before the Winter Session of Parliament. The PAC would like to seek the permission of the House to thereafter, delegate the review of some of these Reports to the relevant Committees in both Houses so as to clear this backlog. The PAC acknowledges that it is its job to undertake such reviews and report to the House, but given the extent of the backlog, we are left with no other option. In order to avoid a similar situation in the Second Parliament, the PAC will henceforth, be instituting a system beginning with this Session whereby the Annual Audit Report on the financial aspect for the past year will be reported on during every Summer Session and any other Reports emanating from the RAA will be the focus of our report at every Winter Session of Parliament.

The report is being presented in three parts:

- 1. Review reports of Annual Audit Reports 2008-2011**
- 2. Annual Audit Report 2012**
- 3. Recommendations**

## **2. Review Reports of Annual Audit Reports for 2008, 2009, 2010 & 2011**

These review reports were submitted to the 10<sup>th</sup> Session of the First Parliament in 2012. While Parliament deliberates on the Annual Audit Reports and issues necessary directives, it is equally important that it be kept apprised of the implementation of its directives. The RAA has been very diligent in its implementation of such directives received from the Parliament and has been successful in resolving a substantial number of irregularities. What the PAC is presenting here are those cases which remain unresolved in spite of the best efforts of the RAA and on which further directives of the House are sought.

### **2.1. Review Report of AAR 2008**

The Review Report had unresolved irregularities of Nu. 0.117 million of which the RAA through numerous follow ups were able to resolve irregularities of Nu. 0.100 Million or Nu. 1 lakh (85.47%). As of 17<sup>th</sup> May 2013, a balance of Nu. 17,000 remained unresolved of which Nu. 7,000 under outstanding advances pertained to the Ministry of Home and Cultural Affairs and Nu. 10,000 pertained misuse of funds by the former Gup of Dungtse Gewog Administration under Samtse Dzongkhag.

## **2.2. Review Report of AAR 2009**

At the time of its submission, there were unresolved irregularities of Nu. 13.345 million. The RAA was able to resolve irregularities of Nu. 0.233 million and as of 17<sup>th</sup> May 2013, a sum of Nu. 13.112 million remains to be resolved by the Ministry of Labour and Human Resources (Nu. 3.249 million), the Ministry of Education (Nu.8.750 million), the Ministry of Foreign Affairs (Nu. 0.165 million), Chukha Dzongkhag (Nu.0.129 million), Punakha Dzongkhag (Nu. 0.775 million) and Gakiling Gewog under Haa Dzongkhag (Nu. 0.044 million) respectively.

### **(a) Ministry of Labour & Human Resources**

#### **Violation of Laws and Rules**

The Basic Skills Development Project had given excess refunds of retention money amounting to Nu. 2.353 million which were neither reconciled nor recovered. The Project had also reflected double booking of expenditure for Nu. 0.896 million which has not been recovered/rectified as of date. Further, it had also not submitted its financial statements and other pertinent documents as required by law.

### **(b) Ministry of Education**

#### **Violation of Laws and Rules**

The Education Development Project did not recover liquidated damages aggregating to Nu. 8.750 million from the assembly contractors.

### **(c) Ministry of Foreign Affairs**

#### **Shortfalls, Lapses and Deficiencies**

Since last reported to Parliament, the Ministry had resolved a sum of Nu. 0.233 million of the total unresolved irregularities of Nu. 0.398 million. The balance amount of Nu.0.165 million falls under outstanding advances made by the Permanent Mission of Bhutan, Geneva.

#### **(d) Chukha Dzongkhag**

##### **Shortfalls, Lapses and Deficiencies**

Outstanding advances of Nu. 0.129 million were made which have not yet been resolved.

#### **(e) Punakha Dzongkhag**

##### **Shortfalls, Lapses and Deficiencies**

Outstanding advances of Nu. 0.775 million were made which have not yet been resolved.

#### **(f) Gakiling Gewog, Haa Dzongkhag**

##### **Mismanagement**

The non-distribution of Rural Water Supply and Services (RWSS) materials to various sites had resulted in the loss of items worth Nu. 0.044 million.

### **2.3. Review Report of AAR 2010**

Since last reported to Parliament in its 10<sup>th</sup> Session, the RAA was able to resolve irregularities amounting to Nu. 170.802 million of a total of Nu. 246.670 million thus leaving a balance of Nu. 93.868 million Unresolved.

It may be pointed out here that while the Autonomous Agencies (RUB) and Corporation (PCAL) had resolved their irregularities by 100% and 99.73% respectively, action taken at the various Ministries falls to only 44.80%. This drops even further at the Dzongkhags level 8.05%.

#### **(a) Ministry of Health**

The Ministry had resolved 46.18% of irregularities as of 17<sup>th</sup> May 2013 and is now left with a balance of Nu. 87.890 million.

#### **Fraud Corruption and Embezzlement - Nu. 8.300 million**

Drugs were procured at rates much higher than originally quoted resulting in an additional cost of Nu. 8.300 million. The case is currently under review by the Office of the Attorney General.



### **Mismanagement - Nu. 7.873 million**

Comparison of actual rates in the bid document with those generated through the Bhutan Medical Supply Chain System (BMSCS) showed that in 90 cases the lowest rates offered by various bidders were not reflected in the computer generated bid statement used for the evaluation of bids. This has led an extra financial burden of Nu. 7.873 million to the government. While initially under review by the ACC, it has now been handed over to the RAA for follow-up.

### **Violation of Laws and Rules**

The Medical Supply Division, Phuentsholing had not recovered liquidated damages of Nu. 3,022.32 on account of delay in the supply of some ampoules. The issue is still under investigation and the Ministry has been directed to recover the amount after it is over.

### **(b) Ministry of Foreign Affairs**

#### **Fraud, Corruption and Embezzlement – Nu. 2.391 million**

There was a cash shortage of Nu. 2.391 million due to the understatement of cash balance in the Cash Book pointing towards misuse of cash by the Royal Bhutanese Embassy, Bangkok.

### **(c) Punakha Dzongkhag**

#### **Shortfalls, Lapses and Deficiencies – Nu. 10,000**

The Dzongkhag Administration had an advance outstanding against an official for Nu. 10,000.

### **(d) Samtse Dzongkhag**

#### **Shortfalls, Lapses and Deficiencies – Nu. 0.108 million**

The Dzongkhag Administration had outstanding advances against various employees amounting to Nu. 0.108 million.

**(e) Zhemgang Dzongkhag**

**Shortfalls, Lapses and Deficiencies – Nu. 0.453 million**

The Dzongkhag Administration had outstanding advances against various employees amounting to Nu. 0.453 million.

**(f) Corporations**

**(1) Bhutan Board Products Ltd.**

**Shortfalls, Lapses and Deficiencies – Nu. 0.179 million**

As permitted under the MOU, cost differences aggregating to Nu. 0.227 million for the low chemical concentration in the formaldehyde must be deducted which was not done. Subsequently, a sum of Nu. 0.048 million was recovered thus leaving a balance of Nu. 0.179 million to be recovered.

**(2) Food Corporation of Bhutan Ltd.**

**Shortfalls, Lapses and Deficiencies – Nu. 0.071 million**

Excess and inadmissible payments of Corporate Specific Allowances (CSA) were made to employees amounting to Nu. 0.071 million.

**2.4. Review Report of AAR 2011**

The Royal Audit Authority has submitted its RAA Report 2011 to the 9<sup>th</sup> session of the 1<sup>st</sup> parliament in May, 2012. At the time of submission the total unresolved irregularities was Nu. 770.140 million, however, a total of Nu. 406.979m (52.84%) has been resolved after RAA conducted several follow-up activities with the concerned agencies. A balance of Nu. 363.161m (47.16%) is now still to be resolved.

**Table 1: Summary of unresolved Irregularities as of 17/5/2013**

Sl.#	Agency	Balance unresolved Irregularities (in million)
1.	Ministries	299
2.	Dzongkhags	13
3.	Gewogs	0.900
4.	Autonomous Bodies	1.400
	<i>Total budgetary agencies</i>	<i>313 (48%)</i>
5.	Corporations	44
6.	Financial Institutions	5
7.	NGOs	0.400
	<i>Total Non-budgetary Agencies</i>	<i>50 (28%)</i>
	<b>GRAND TOTAL:</b>	<b>363</b>

**Table 2: Details of Irregularities as of 17/5/2013**

Agencies	Nature and amount of unresolved Irregularities as of 17/5/2013			
	Fraud, Corruption, Embezzlement (7.3m) (in million)	Mismanagement(82.4m) (in million)	Violation of laws and Rules (28.7m) (in million)	Shortfalls, Lapses &Deficiencies (244.6m) (in million)
Ministries	5.600	76.4	14.4	202
Dzongkhags	1.300	00	10	1.4
Gewogs	0.021	0.170	00	00
Autonomous Bodies	0.471	00	00	1.5
Corporations	00	5.900	00	38.3
Financial Institutions	0.300	00	4.2	0.630
NGOs	00	00	00	0.440

The details of irregularities as of 17/5/2013 against various agencies are detailed hereunder:

## **Ministries**

### **1. Fraud, Corruption, Embezzlement**

#### **a) Ministry of Foreign Affairs**

There are three cases amounting to Nu. 5.565 m pertaining to Royal Bhutanese Embassy Bangkok under Ministry of Foreign Affairs comprising of the following:

##### **i. USD Special Account Shortage (Nu. 5.288m)**

The Royal Bhutanese Embassy, Bangkok had unreconciled shortage of USD 100,716m in the special Account maintained with BKK bank for three financial years 2008-2009, 2009-2010, 2010-2011.

##### **ii. Discrepancies in Books of USD Accounts (Nu. 0.150m)**

The Royal Bhutanese Embassy, Bangkok had cash shortage of US\$ 2856.67 in the USD account at the end of financial year 2009-2010.

##### **iii. Double payment for medical expenses (Nu. 0.128m)**

The BKK embassy has made a double payment of Thai Bath amounting to Nu. 78,985 on account of medical expenses for embassy staff and their family members.

*Note: All three cases were forwarded to ACC for review and necessary action.*

### **2. Mismanagement**

#### **a) Ministry of Information and Communication**

Six cases amounting to Nu. 76.433 m lies against Road Safety and Transport Authority (RSTA) under MoIC.

- 1) Renewal of motor vehicles without annual fees- (Nu.0.575m)
- 2) Discrepancies in issue of receipts for renewal of vehicles- (Nu. 10.456m)
- 3) Renewal of motor vehicles with Insufficient annual renewal fees (Nu. 0.578m)
- 4) Renewal of Driving License without fees (Nu. 0.161m)
- 5) Renewal of driving license with nonexistent/duplicate receipts (Nu. 0.654m)
- 6) Outstanding revenue fees balance: (Nu. 64m)

*All the six cases once forwarded to ACC, were later returned to RAA for review.*

### **3. Violation of laws and Rules**

**a) Ministry of Health:** Three cases amounting to Nu. 11.848 lies against Ministry of Health for:

**i. Procurement without tender (Nu. 10.127m)**

The Health Liaison Office, Kolkata had made an procurement of named patients drugs and Non-quoted drugs amounting to Nu. 10.127 m in the financial year 2008-2009 without calling for a tender.

**ii. Payment without approved budget (Nu.1.721m)**

The Secretariat MoH had made payment of Nu. 1.721m for long term training of an official without provision of budget. The training was approved under the funding of WHO. The Ministry has sought approval of GNH to internally adjust the interim requirement, yet no reimbursement was made from WHO to the LC account of the Ministry.

**iii. Outstanding advances (Nu. 0.115m)**

The Ministry had outstanding advances of Nu.0.115m against various officials.

**b) Ministry of Work and Human Settlement**

One case amounting to Nu.1.524 m lies against MoWHS for inadmissible payment (Nu.1.524m) The Ministry has made inadmissible payment amounting to Nu. 1.154m for various lapses like delay in construction bridge, non utilization of machinery in Ministry's Road Network Projects.

**c) Ministry of Economic Affairs**

One case amounting to Nu. 1.029 m lies against Department of Trade, MoEA for over-charging of consumers. The MoEA had made the transit insurance of POL products mandatory along with revised pricing structure of petroleum products w.e.f July 2009. However, the Dept. of Trade had not enforced the Ministry's directives which resulted in overcharging of consumers by Nu.1.029m.

#### **4. Shortfalls, Lapses & Deficiencies**

##### **a) Ministry of Foreign Affairs:**

Three cases amounting to Nu. 186.023m against Ministry of Foreign Affairs for:

##### **1) Irregular payment**

The Royal Bhutanese Embassy, Bangkok has made a total irregular payment of Nu. 1.443m as Representational grants and Children's Education Allowance,

##### **2) Outstanding advances**

The Royal Bhutanese Embassy, Bangkok and Permanent Mission of Bhutan in New York has outstanding advances Nu.4.489m against various officials and private parties.

##### **3) Non production of supporting documents**

The Royal Bhutanese Embassy Bangkok had not produced supporting documents for expenditure amounting to Nu. 180.091m incurred during last three financial years of 2008-2009, 2009-2010 and 2010-2011.

##### **b) Ministry of Works and Human Settlement**

One case against MoWHS for non-adjustment of mobilization advances: The Field Division, Dept.of Roads Phuntsholing had not adjusted the mobilization advances amounting to Nu. 15.588m released to the contractor in the construction of Amochu Bridge even after termination of contract due to poor performance of the contractor.

#### **Dzongkhags**

##### **1. Fraud, Corruption, Embezzlement**

Dagana Dzongkhag with Nu.1.374m for collusive price fixing in construction of Drupkhang at Shathong Gonpa. The case was forwarded to ACC.

##### **2. Violation of laws and Rules**

- i. Zhemgang Dzongkhag for non-completion of construction of Principal Quarter at Komshar Primary School.

- ii. Sarpang Dzongkhag with Nu. 3.807m for not staking the blasted rocks at the identified site.
- iii. Tashi Yangtse Dzongkhag with Nu. 6.239m for booking under closed works of various incomplete construction works.

### **3. Shortfalls, Lapses & Deficiencies**

- i. Chukhha Dzongkhag with Nu. 1.82 lakhs for excess payment of construction of urban road site development.
- ii. Excess store of balance WFP rations in Metekha Community School.
- iii. Gasa Dzongkhag with Nu. 61,000 for outstanding advances against various officials and Nu. 22,000 for non-deduction of liquidated damages from the construction works at Tsachu.
- iv. Pema Gatshel Dzongkhag with Nu.4.08 lakhs for Non deduction of rebate from the construction of Principal Quarter at Gashiri Pry. School under Ngalam Dungkhag.
- v. Punakha Dzongkhag with Nu.1.02 lakhs for excess payment in construction of meeting hall at Talo Gewog and outstanding advances of Nu. 1.72 lakhs against various officials, suppliers and contractors.
- vi. Sarpang Dzongkhag with Nu.68,000 for outstanding advances against various officials.
- vii. Zhemgang Dzongkhag with Nu.2.52 lakhs as outstanding advances against various officials, suppliers and contractors.
- viii. Samtse Dzongkhag with Nu. 1.54 lakhs for outstanding advances against various officials and private parties.

## **Geog Administrations**

### **1. Fraud, Corruption, Embezzlement**

Kabisa gewog under Punakha with Nu. 21,000 for non-account of rural taxes collected.

### **2. Mismanagement**

- i. Dongnaa Gewog under Chukhha with Nu. 77,000 for wasteful expenditure in construction of Ngalachung irrigation channel.
- ii. Kazhi Gewog under Wangdue had not collected rural taxes for the 2010.

## **Autonomous Agencies**

### **1. Fraud, Corruption, Embezzlement**

A case against National Land Commission for regularizing excess land under Thimphu City Corporation was forwarded to ACC.

### **2. Shortfalls, Lapses &Deficiencies**

- i. Sherubtse College under RUB with Nu. 23,000 as outstanding advances against various officials.
- ii. Sarpang District Court under Judiciary with Nu. 7.29 lakhs as outstanding advances against various officials and parties.
- iii. National Land Commission with Nu. 37,000 as outstanding advances against various officials and parties.
- iv. Tourism Council of Bhutan with Nu. 71,000 for unjustified fuel expenses.
- v. National Commission for Women and Children (NCWC) with Nu. 6.28 lakhs for non account of advances paid for their program officers and other implementing agencies for carrying out Annual Work Plan activities.

## **Corporations**

### **1. Fraud, Corruption, Embezzlement**

PCAL has shortage of 53.97 MT of cement at S/Jongkhar depot.

### **2. Mismanagement**

PCAL with Nu. 30.69 lakhs for non imposition of penalty for the supply of sub standard coals to the factory.

### **3. Shortfalls, Lapses &Deficiencies**

- i. PCAL with Nu. 31.754 m for outstanding credit sales lying against M/s National Hydro Power Plant Ltd, Delhi. It was also found that some of the outstanding amounts were as old as ten years.
- ii. PCAL with Nu. 1.895m for payment made towards goods (392.33MT clinkers) not received even after a year from the date of placing the order.
- iii. PCAL with Nu. 4.639 m as debit balances against sundry creditors of various parties.



## **Financial Institutions**

### **1. Fraud, Corruption, Embezzlement**

- i. BDBL had used free hand drawing prepared by M/s Wood World for inviting rates from M/s Woodcraft center in furnishing the office building.(The case was forwarded to ACC).
- ii. BDBL made inadmissible advance payment of Nu. 8.1 lakhs for furnishing office building.
- iii. BDBL made fictitious payment of Nu. 3.1lakhs without actually receiving the goods. (The case was forwarded to ACC)

### **2. Violation of laws and Rules**

- i. BDBL has made procurement of Nu. 3.798m without tendering in furnishing its newly constructed new head office building. (The case was forwarded to ACC)
- ii. BDBL has made direct procurement of additional furniture worth Nu.4.37 lakhs from the same firm M/s Wood World. (The case was forwarded to ACC).

### **3. Shortfalls, Lapses &Deficiencies**

BDBL has made excess payment of Nu. 6.38 lakhs in procuring cubicles with file cabinets. (The case was forwarded to ACC).

## **Non Governmental Organizations**

### **1. Shortfalls, lapses and deficiencies**

BCCI , Phuntsholing has outstanding membership fees amounting to Nu.4.44 lakhs from the business communities.

### 3. Annual Audit Report 2012

#### 3.1. Accomplishment of Royal Audit

##### Authority

i. **Achievements** - The Royal Audit Authority had completed 600 audits during the year including 98 certification

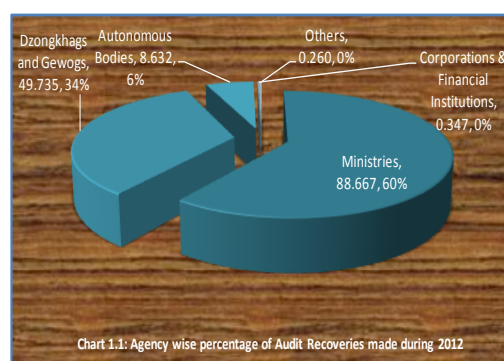
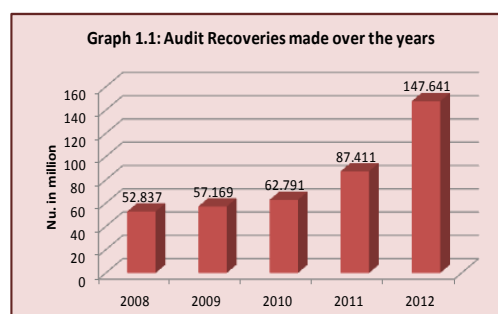
audits, one performance audit and one thematic audit. The RAA continues to embark on the Risk Based Audit to ensure effectiveness in the use of available resources and effectiveness of auditing itself.

Sl. No.	Types of Audit	No. of Audits
1	Normal Audit Report	662
2	Certification Audit Report	96
3	Performance Audit Report	1
4	Thematic Audit Report	1
	<b>Total</b>	<b>760</b>

Table 1.2: Types and number of reports issued

The Royal Audit Authority issued 760 audit reports and also issued 515 follow up reports, which were mainly taken up along with the routine audits and 22 statutory audit reports. The Royal Audit Authority endorsed 14 audit reports containing 29 cases of significant indicators of fraud and corruption to Anti-Corruption Commission during the period in accordance to Section 48(b) of the Audit Act of Bhutan 2006. Further, the audit reports of Department of Medical Sciences, Ministry of Health and Department of Civil Aviation, Ministry of Information and Communications were also shared with Anti-Corruption Commission.

ii. **Recoveries** – The Royal Audit Authority had recovered a record high of Nu. 147.641 million in 2012. The recoveries during 2012 had increased by 68.90 % over the recoveries made in 2011. The significant increase was primarily due to rigorous follow up done by the RAA through series of Audit Awareness and Review Meetings. Further, the Parliamentary directive to impose 24% penalty on overdue outstanding advances and recoverable amounts benefitted the institutions in recovering and depositing the amounts into audit recoveries account.



The recoveries of Nu.88.667 million representing over

60 % of the total recoveries was made from Ministries. The recoveries by Dzongkhags and

Gewogs was Nu. 49.735 million representing about 34% and Nu. 8.632 million representing about 6 % were recovered by the Autonomous Bodies.

Of the 10 Ministries, the Ministry of Health had the highest recovery of Nu. 40.315 million representing 45.47 % followed by Ministry of Economic Affairs with Nu. 12.611 million representing 14.22% and Ministry of Agriculture and Forests with Nu. 11.392 million representing 12.85% of the recoveries from Ministries.

### 3.2 Audit Findings

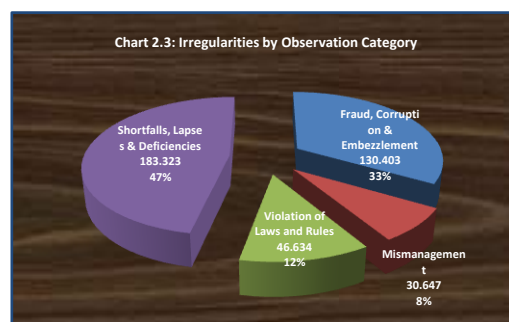
The Annual Audit Report 2012 has been compiled from 760 audit reports issued during the year. The Annual Financial Statements of the RGOB was also audited and reviewed along with the utilization of the budget approved by the National Assembly for the Fiscal Year ended June 2012. It was noted that the capital budget of Nu. 4,095.754 million was not utilized against the revised budget. As against the released budget, the unutilized budget amounted to Nu.1,389.51 million. The Government needs to study the non-utilization of capital budget, which has been occurring repeatedly to ascertain the causes.

The draft Annual Audit report had significant issues involving Nu.1,166.388 million. However, audit findings involving Nu. 775.381 million representing more than 66 % were either fully or substantially resolved. The remaining of Nu. 391.007 million is the unresolved irregularities pertaining to all Ministries, 7 Dzongkhags, 11 Gewogs of 5 Dzongkhags, 6 Autonomous Bodies, 6 Corporations, four Non Governmental Organization and two Political Parties. The irregularities for 2012 have declined by 49.22 % as compared to the past year.

The highest amount of irregularities was reported under Ministry of Information & Communications with Nu. 114.230 million followed by Ministry of Works and Human Settlement with Nu. 104.011 million, Ministry of Education with 42.933 million and Ministry of Home & Cultural Affairs with Nu. 26.587 million. These Ministries represented over 73 % of the total amount of irregularities reported for 2012.

Under the Corporations, Penden Cement Authority Limited had the reported figure of Nu. 3.906 million followed by Food Corporation of Bhutan Limited with Nu. 0.567 million.

The observations have been grouped into four broad categories. The highest amount of irregularities of



Nu.183.323 million is reported under the category, Shortfalls, Lapses and Deficiencies followed by Nu. 130.403 million under the category, Fraud, Corruption & Embezzlement. The amount of Nu. 46.634 million is reported under the category, Violation of Laws and Rules and Nu.30.647 million is reported under the category, Mismanagement. The irregularities in the budgetary agencies constitutes about 92 % while the non budgetary agencies constitutes 8 %s of the total irregularities of Nu.391.007 million.

### 3.3 Ministries

- i. **Ministry of Information & Communication** – has recorded the highest irregularities of Nu.114.230 million representing 29.2 %

<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	<b>Nu. in million</b>
1.1	DCA had made excess payment for earthwork excavation and transportation due to non estimation of quantum of earthwork excavation at Gelephu Domestic Airport (Forwarded to ACC)	13.296
1.2	The DCA had made double payment due to inflation of quantities of work of Dense Bituminous Macadam (DBM) and Asphalt concrete (AC) works in BoQ and Pre-Final Bill (Forwarded to ACC)	78.278
1.3	The DCA made excess payment in the execution of DBM and Asphalt Concrete which did not meet the specification of the runway pavement thickness at Gelephu Domestic Airport. (Forwarded to ACC)	6.963
1.4	Ambiguities and flaws in the preparation of estimates for Earth Moving Works with resultant inadmissible payment (Forwarded to ACC)	8.039
1.5	Unfair rejection of bid of CDCL due to wrong reworking by the DCA and awarding the work to M/s Sonam & Ugyen Hiring Unit had led to financial implication thereof	4.816
<b>Total</b>		<b>111.392</b>
<b>2</b>	<b>Mismanagement</b>	
2.1	The vehicles due for renewal but not renewed which had been overdue for 3 years – RSTA, Gelephu	0.273
<b>Total</b>		<b>0.273</b>

<b>3</b>	<b>Violations of Laws and Rules</b>	
3.1	Lapses in securing Bank Guarantees in lieu of the retention money retained against Defect Liability Period. The Guarantee's validity was for a year while the Defect Liability Period was for two years	
3.2	Technical Sanction not accorded and the project implemented without ensuring the technical feasibility and soundness	
3.3	Improper evaluation of bids by Tender Evaluation Committee for Earth Moving Works had led to awarding of the work to technically non responsive bidder M/s Sonam & Ugyen Hiring Unit	
<b>Total</b>		
<b>4</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
4.1	The RSTA, Thimphu had not reconciled the revenue collection in the motor vehicle conversion cost and blue book cost	0.088
4.2	DCA made excess payment for transportation of excavated quantity of spoil material in the construction of Gelephu Domestic Airport	2.477
4.3	Lapses noted during the handing/taking of 30 community centres by DIT to Bhutan Postal Corporation	-
<b>Total</b>		<b>2.565</b>
<b>Grand Total</b>		<b>114.230</b>

## ii. Ministry of Works and Human Settlement

The Royal Audit Authority had issued 23 audit reports with 64 observations involving Nu.155.070 million, out of which Nu. 20.145 million were either resolved or did not qualify for inclusion in the draft AAR 2012. The total unresolved significant observations reflected in the draft AAR 2012 amounted to Nu.134.925 million. Further, based on the responses received and action taken by the Ministry, the observations amounting to Nu.30.914 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 104.011 million in 2012 representing 26.6 %.

<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	<b>Nu. in million</b>
1.1	Thimphu Thromde had unauthorized retention of revenue collection without depositing the same to RGR account, entertaining of encashment of private cheques, manipulation of dates on the deposit invoices resulting to temporary misuse and mismanagement of revenue. The case has been forwarded to ACC	13.024
1.2	The failure on the management to carry out periodic reconciliations of revenue collections and deposits had led to misuse of revenue	0.588
1.3	Cheques deposited but not credited	0.285
<b>Total</b>		<b>13.897</b>
<b>2</b>	<b>Mismanagement</b>	
2.1	Thimphu Thromde had not collected the revenue on account of land tax	0.124
<b>Total</b>		<b>0.124</b>
<b>3</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
3.1	Department of Roads, Zhemgang had outstanding advance	86.226
3.2	Non implementation of budget activities – Department of Engineering & Services had discrepancies in carrying forward of the outstanding advances of Nu.1.246 million to the following financial year	1.246
3.3	Non reconciliation of account – Phuentsholing Thromde understated the closing balance in bank column of the cash book.	3.515
3.4	Phuentsholing Thromde had done wrong booking on account of deposit work for FY 2009-10 as payment made to DPA in FY 2010-11	0.249
3.5	Anomaly in allotment of government quarters and incomplete information of registered applicants	
<b>Total</b>		<b>89.990</b>
<b>Grand Total</b>		<b>104.011</b>

- iii. **Ministry of Education** – recorded irregularities of Nu.42.933 million representing 10.98 % of the total irregularities.

<b>1</b>	<b>Shortfalls, Lapses and Lapses</b>	<b>Nu. in million</b>
1.1	Outstanding advances – The Education Development Project (Nu. 14.521 million) & SPBD (Nu. 28.277 million) had outstanding advances against various officials, contractors and suppliers. The UNICEF project (Nu. 0.135 million) under Ministry of Education also had outstanding advances against an official	42.933
<b>Total</b>		<b>42.933</b>
<b>2.</b>	<b>Violations of Laws and Rules</b>	
2.1	Unjustified suspension of construction of school at Tsirang Toed and irregularities thereof – the case forwarded to ACC	
<b>Grand Total</b>		<b>42.933</b>

- iv. **Ministry of Home & Cultural Affairs** – recorded irregularities of Nu.26.587 million representing 6.79 % of the total irregularities.

<b>1</b>	<b>Mismanagement</b>	<b>Nu. in million</b>
1.1	Non surrender of CD account balance – Folk Heritage Museum CD account balance was not surrendered to MoF when taken over by Tarayana Foundation	7.918
<b>Total</b>		<b>7.918</b>
<b>2</b>	<b>Violations of Laws and Rules</b>	
2.1	The delay in the construction of semi permanent residential building at RAPA in spite of the time extension granted twice	
<b>3</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
3.1	Inadmissible payment on account of mobile voucher allowances to officers and RBP personal. The approval for payment by the Chief of Police was in not line with the financial power defined in the Financial Rules and Regulations	0.334
3.2	Outstanding advances – RBP HQ had outstanding advances against various contractors and employees	18.335
<b>Total</b>		<b>18.669</b>
<b>Grand Total</b>		<b>26.587</b>

- v. **Ministry of Finance** – recorded irregularities of Nu.19.442 million representing 4.97 % of the total irregularities

<b>1.</b>	<b>Mismanagement</b>	<b>Nu. in million</b>
1.1	The Regional Revenue & Customs Office, Thimphu had outstanding revenues from:  BST from hoteliers for the income year 2008 to 2010 – Nu.2.792 million  BIT, CIT & PIT from business units and employees – Nu.11.057 million	13.849
<b>Total</b>		<b>13.849</b>
<b>2</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
2.1	Outstanding Advances – The Secretariat and DRC under MoF had outstanding advances against various officials and parties	5.593
<b>Total</b>		<b>5.593</b>
<b>Grand Total</b>		<b>19.442</b>

- vi. **Ministry of Health** – recorded irregularities of Nu.17.761 million representing 4.54 % of the total irregularities

<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	<b>Nu. in million</b>
1.1	Phuentsholing General Hospital had shortage of revenue mainly for the financial years 2010 – 2011 and 2011 – 2012. The shortage reflected the difference in the amount reflected in the revenue receipt and deposit made into RGR account	1.206
1.2	The Department of Medical Services had not received goods though payments were made in advance	1.487
<b>Total</b>		<b>2.693</b>
<b>2</b>	<b>Mismanagement</b>	
2.1	Machineries kept idle at Gelephu Central Regional Referral Hospital	
2.2	Delay in deposit of revenue and penalty thereof – Phuntsholing General Hospital. The case is under review by the Anti Corruption Commission	
<b>3.</b>	<b>Violations of Laws and Rules</b>	



3.1	Non Levy of liquidated damages - The Department of Medical Services had not deducted liquidated damages from various suppliers for delay in the supply of drug items. The case was forwarded to the Anti Corruption Commission.	0.352
3.2	Discrepancies in deposit into Non Revenue Account and releases – The depositing of fund balance into non revenue account instead of Budgetary Fund Account was in violation of the budgetary norms	
3.3	Deficiency in accounts - The Department of Medical Services had discrepancies in deposits made and releases. The depositing of the fund balance into Non-Revenue Account instead of surrendering into Budget Fund Account and utilizing it by seeking releases in addition to normal budget is in violation to budgetary norms. The case was forwarded to the Anti Corruption Commission.	
<b>Total</b>		<b>0.352</b>
<b>4</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
4.1	Outstanding Advance: <ul style="list-style-type: none"> <li>- Secretariat had outstanding advances against various officials</li> <li>- Department of Medical Services had outstanding advances against various suppliers</li> </ul>	12.861
4.2	Goods supplied against advance payment were either short/rejected/mismatch with specifications and incomplete accessories	1.855
<b>Total</b>		<b>14.716</b>
<b>Grand Total</b>		<b>17.761</b>

vii. **Ministry of Labour & Human Resource** - The total unresolved significant irregularities amounted to Nu. 4.761 million in 2012

<b>1</b>	<b>Violations of Laws and Rules</b>	<b>Nu. in million</b>
1.1	Flaws in the Tendering process – Department of Human Resource had several flaws in the award and construction of VTI at Dolungang and Jigmeling	295
1.2	Excess quantification of item of work resulting in incorrect estimate	1.361
<b>Total</b>		<b>4.656</b>

<b>2</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
2.1	Payment of DSA at inadmissible rate – Dept. of Employment for in service officials from budget allocated by GOI	0.049
2.2	Over payment made to the contractor for the construction of staff quarter at Rangjung Institute of Electrical Engineering	0.056
<b>Total</b>		<b>0.105</b>
<b>Grand Total</b>		<b>4.761</b>

**viii. Ministry of Foreign Affairs** - The total unresolved observations amounted to Nu. 1.730 million AAR 2012.

<b>1</b>	<b>Shortfalls, Lapses and Deficiencies</b>	<b>Nu. in millions</b>
1.1	Oustanding advances: - Against suppliers and employees - Against officials in the permanent mission of Bhutan abroad	1.494
1.2	Goods not received by State Guest House for 16 <sup>th</sup> SAARC meeting – but the expense had been made in the books of account. The case has been forwarded to ACC	0.095
1.3	Missing interior furnishing items at the State Guest House procured for 16 <sup>th</sup> SAARC meeting	0.141
<b>Total</b>		<b>1.730</b>

**ix. Ministry of Agriculture & Forest** - The total unresolved significant irregularities amounted to Nu. 0.833 million in 2012

<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	<b>Nu. in million</b>
1.1	Shortage of sale proceeds of machineries and spare parts - Regional Agriculture Machinery Centre (RAMC), Bajo had shortage of sale proceeds amounting to Nu. 3.474 million. Although the amount was recovered, administrative action taken was not found appropriate. The case was forwarded to the <b>Anti Corruption Commission</b> .	3.474
1.2	Misuse of cash - The employees of Divisional Forest Office, Bumthang was paid TA/DA from the Division's LC account for	0.241

	monitoring and patrolling of cordeyceps collection. However, the Wangchuk Centenary Park had reimbursed the expenditure but the same was not accounted for in the LC account of the Division. The case was forwarded to the Anti Corruption Commission	
<b>Total</b>		<b>0.241</b>
<b>2</b>	<b>Violation of Laws and Rules</b>	
2.1	Acceptance of 10 % cost index and 5 % contingencies on contractor bids	0.048
2.2	Abnormal deviation in muster roll payment – The Divisional Forest Office, Gedu had made extra payment in the maintenance of plantation under THPA funding	0.038
2.3	Non imposition of 20 % deduction on the contractor on termination of the contract for the construction of Four Unit Attendant's quarter at Sarpang.	0.213
<b>Total</b>		<b>0.299</b>
<b>3</b>	<b>Shortfalls, Lapses and Deficiencies</b>	
3.1	Excess/over payment at JDNP, Sakteng Wildlife Sanctuary, DFO at Paro & Mongar was primarily due to difference in quantity claimed and work executed at site	0.293
<b>Total</b>		<b>0.293</b>
<b>Grand Total</b>		<b>0.833</b>

- x. **Ministry of Economic Affairs** – The Ministry had the lowest irregularities of Nu.0.546 million in 2012.

<b>1</b>	<b>Mismanagement</b>	<b>Nu. in million</b>
1.1	Outstanding advances on account of plot and shed lease rent from various parties at Phuentsholing Regional Trade and Industry	0.513
1.2	Non levy of penalty on the late payment of plot lease rent by various parties	0.033
<b>Total</b>		<b>0.546</b>

### **3.4 Dzongkhags**

#### **3.4.1. Pemagatshel**

The total unresolved significant irregularities amounted to Nu. 1.969 million

##### **a) Mismanagement – Nu. 1.235 million**

###### **i. Non-receipt of forfeited 10% security deposit – Nu.0.285 million**

The Dzongkhag Administration had terminated the contract work of construction of Woongchilu Community Lhakhang. However, the 10% Security Deposit amounting to Nu.0.285 million submitted in the form of Bank Guarantee from RICBL although forfeited, has not yet been received by the Dzongkhag Administration.

###### **ii. Non-collection of fees from the abandoned households – Nu.0.950 million**

The Dzongkhag Tshogdu had resolved to collect a fee @ Nu.1,500.00 per year from every abandoned household. However, it was found that the Dzongkhag had not collected fees amounting to Nu. 0.950 million from 633 abandoned households in various Gewogs.

##### **b) Violation of laws and rules – Nu. 0.241 million**

###### **i. Non-rectification of collapsed wall/defective works – Nu.0.187 million**

The Dzongkhag Administration had not rectified the damaged breast wall valuing Nu. 0.187 million constructed at Pemagatshel Hospital.

###### **ii. Non-compliance to Government directives on procurement of office equipment – Nu. 0.054 million**

The Dzongkhag Administration had procured 2 Dell Laptops costing in excess of the prescribed ceiling with resulting excess expenditure of Nu. 0.054 million.

###### **iii. Supply of books at inflated rates**

The Dzongkhag Administration had purchased Library Books during the 5<sup>th</sup> National Book Fair held at Mongar for various schools within the Dzongkhag. It was observed upon verification of purchases made by couple of schools that the price paid were higher than the MRP.

**c) Shortfalls, Lapses and Deficiencies – Nu. 0.493 million**

**i. Over/Excess payments – Nu. 0.367 million**

The Dzongkhag Administration had made excess payment of Nu. 0.367 million in the construction of Woongchiloo Lhakhang. The excess payment had occurred due to payment for various items of work not executed at site.

**ii. Undue delay in construction of Multi Purpose Hall (MPH) at Woongchiloo Community Primary School**

The Dzongkhag Administration had made 70% payment for the construction of Multi Purpose Hall at Woongchiloo Community Primary School while the physical progress was only 40%. The Dzongkhag Administration then decided to terminate the contract, but based on the petition submitted by the contractor, the Committee allowed him to continue the work. However, the contractor abandoned the work by November 2011 despite providing him with additional Nu.0.759 million as material advance nor did he heed to any of the reminders served to him.

**iii. Excess payment of personal emoluments – Nu.0.126 million**

The Dzongkhag Administration had made excess payment of Nu. 0.126 million on account of full salary to an official who was on long term study in India in contravention of BCSR 2010.

**3.4.2. Haa**

During the period the total unresolved significant irregularities amounted to Nu. 0.808 million

**a) Fraud, Corruption and Embezzlement – Nu.0.340 million**

**i. Excess claim for the purchase of cardamom seedlings – Nu.0.234 million**

The Dzongkhag Administration, Haa had made excess payment of Nu. 0.234 million in the purchase of cardamom seedlings from farmers. Upon enquiry from the sellers, it was confirmed that the amount claimed was at higher rates than the actual cost. The case was forwarded to the Anti Corruption Commission.

## **ii. Fictitious booking of expenditure on farmers training – Nu.0.106 million**

The Dzongkhag Administration had made fictitious booking of expenditure amounting to Nu. 0.106 million on account of training of farmers from Bebji. However, on enquiry from the resource persons, it was confirmed that the training was never conducted. Instead, the fund was reportedly utilized for performing *Rimdo*. The case was forwarded to the Anti Corruption Commission.

### **b) Violation of laws and rules**

#### **i. Delay in completion of works**

- a) The Dzongkhag Administration had not completed the construction of houses executed through community contractors under the Bebji Rehabilitation Project within the stipulated time thereby impeding timely delivery of services to the beneficiaries.
- b) The contractor M/s Gado Construction had not completed the construction of Rangtse Primary School awarded by Dzongkhag Administration.

#### **ii. Non-production of documents**

The Dzongkhag Administration failed to produce documents relating to the expenditure of Nu. 5.054 million incurred on the re-construction of Lhakhang Karpo. The same has also been reported in the Annual ACC report 2012.

#### **iii. Use of items other than specified**

The construction of Drungkhag office, two staff quarters with 3 units each and Drungpa's residence at Sebjithang, Gakiling Drungkhag under Dzongkhag Administration was completed in 2010. However, it was found that the roofs of all these structures had leakages due to the poor quality of CGI sheets used.

### **c) Shortfalls, Lapses and Deficiencies – Nu.0.468**

#### **i. Outstanding Advances – Nu.0.468 million**

The Dzongkhag Administration had outstanding advances of Nu.0.468 million against employees.

### **3.4.3. Samtse Dzongkhag**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.264 million.

#### **i. Outstanding Advances – Nu.0.264 million**

The Dzongkhag Administration had outstanding advances of Nu.0.264 million against various employees and suppliers.

### **3.4.4. Tsirang**

The total unresolved significant irregularities amounted to Nu. 0.334 million.

#### **a) Shortfall, Lapses and Deficiencies – Nu.0.334 million**

##### **i. Excess payment – Nu. 0.334 million**

The Dzongkhag Administration had made excess payment of Nu.0.334 million in the construction of Lhakhag in Dunglagang Gewog. The excess payment had occurred due to difference in the quantities paid for and work actually executed at site.

### **3.4.5. Sarpang**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.233 million.

#### **a) Violation of laws and rules – Nu. 0.233 million**

##### **i. Execution of sub-standard work – Nu.0.233 million**

The Dzongkhag Administration had accepted sub-standard work valuing Nu.0.233 million in the construction of two unit staff quarter at Tarathang Community Primary School.

### **3.4.6. Trashigang**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.192 million.

#### **a) Violation of laws and rules**

##### **i. Irregularities in the construction of Khelam Poktor-Bredungma Farm Road**

The Dzongkhag Administration had several irregularities in the construction of Khelam Poktor-Bredungma Farm Road such as, not maintaining the gradient of road,

permanent structures on the roads were not planned nor had proper survey and feasibility studies been carried out. There had also been delays in construction.

**b) Shortfalls, Lapses and Deficiencies – Nu.0.192 million**

**i. Shortage of timber in the renovation of Dzong – Nu.0.192 million**

The Dzongkhag Administration had a shortage of timber valuing Nu. 0.192 million in the renovation of the Dzong. The shortage was revealed during the joint physical verification of works carried out.

**3.4.7. Dagana**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.140 million

**a) Shortfalls, Lapses and Deficiencies – Nu.0.140 million**

**i. Excess payment – Nu. 0.140 million**

The Dzongkhag Administration had made excess payment of Nu. 0.140 million in the construction of 6 unit classroom at Dagapela LSS. The excess payment had occurred due to difference in the quantities paid for and work actually executed at site.

**3.5 Gewogs**

**3.5.1. Gewogs under Chukha Dzongkhag**

**Logchina Gewog**

The total unresolved significant irregularities amounted to Nu. 0.122 million as summarized below:

**a) Shortfalls, Lapses and Deficiencies – Nu.0.122 million**

**i. Inadmissible/excess payment to contractor-Nu. 0.122 million**

The Gewog Administration had made excess payment of Nu. 0.122 million in the construction of Out Reach Clinic (ORC) at Dolepchen. These include to payment made for items not provided and not executed.

**3.5.2. Gewogs under Dagana Dzongkhag**

**Deorali Gewog**

The total unresolved significant irregularities amounted to Nu. 0.063 million.



**a) Fraud Corruption and Embezzlement – Nu.0.063 million**

**i. Misuse of Revenue- Nu.0.063 million**

The Gewog Administration had a case of misuse of revenue amounting to Nu. 0.063 million as the cash balance was not physically available during verification. The new Gup stated that the former Gup had not handed over the cash balance when he assumed the office.

**Khebisa Gewog**

The total unresolved significant irregularities amounted to Nu. 0.035 million.

**a) Fraud Corruption and Embezzlement – Nu.0.063 million**

**i. Shortage of Revenue- Nu.0.035 million**

The Gewog Administration had shortage of revenue amounting to Nu. 0.035 million pertaining to the rural taxes for the year 2010.

**3.5.3. Gewogs under Gasar Dzongkhag**

**Lunana Gewog**

**a. Shortfall, Lapses and Deficiencies**

**ii. Non-Production of Documents**

The Gewog Administration had received a sum amount of Nu. 0.246 million from the Ministry of Health to construct toilets to improve health and sanitation of the communities of Lunana. However, during the field verification, only two toilets had been constructed and documentary evidences regarding the execution of the work were not made available and as such the actual expenditure could not be ascertained.

**3.5.4. Gewogs under Trashiyangtse Dzongkhag**

**Bumdeling Gewog**

The total unresolved significant irregularities amounted to Nu. 0.047 million

**a) Fraud, Corruption and Embezzlement – Nu.0.047 million**

**ii. Payment made without receiving the goods- Nu. 0.047 million**

The Gewog Administration had made payment of Nu. 0.047 million for the purchase of a photocopy machine. However, it was found that the equipment was not supplied.

## **Ramjar Gewog**

The total unresolved significant irregularities amounted to Nu. 0.038 million

### **a) Violations of Laws and rules – Nu.0.038 million**

#### **i. Closed work payment-Nu.0.038 million**

The Gewog Administration had booked a sum of Nu. 0.038 million as final expenditure for the construction of Water Source Protection without actual execution of the works and the same amount was found deposited into refundable deposit account for future payments.

## **Tongzhang Gewog**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 3.982 million

### **a) Mismanagement – Nu.2.599 million**

#### **i. Machinery kept idle**

The Gewog Administration had kept the Backhoe Loader idle for a considerable period of time except for the maintenance of Tokaphu and Kalikhar Farm Road. Further, the detailed records/ log book and measurement book on the use of machinery for recording daily work executed by the machinery were not maintained by the Gewog Administration.

#### **ii. Wastage of Government resources – Nu. 2.599 million**

The Gewog Administration had made an expenditure of Nu.2.599 million in the construction of Lungdirichu irrigation channel. It was found that irrigation channel was not functional and did not benefit the public.

### **b) Violations of laws and rules – Nu.1.383 million**

#### **i. Closed work payment- Nu. 1.383 million**

The Gewog Administration had booked a sum of Nu. 1.383 million as final expenditure for the reconstruction of Bianangkhar Lhakhang and the same amount was found deposited into refundable deposit account for future payments.

### **3.5.5. Gewogs under Zhemgang Dzongkhg**

#### **Ngangla Gewog**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.044 million.

##### **a) Shortfalls, lapses and deficiencies – Nu.0.044 million**

###### **i. Non-adjustment of advances- Nu.0.044 million**

The Gewog Administration had outstanding advances of Nu. 0.044 million against various officials.

#### **Bardo Gewog**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.760 million.

##### **a) Mismanagement – Nu.0.503 million**

###### **i. Expenditure booked without execution of work-Nu. 0.503 million**

The Gewog Administration had booked an expenditure of Nu. 0.503 million for the construction of Chercherla Suspension Bridge at Khomshar during the financial year 2010-2011 but it found that works were not executed at site.

##### **b) Violations of Laws and Rules – Nu.0.172 million**

###### **i. Payment of muster roll without recipient's Signature/ Thumb impression- Nu.0.172 million**

The Gewog Administration had made payment of Nu. 0.172 million on account of muster roll payment in the renovation of Khomshar Irrigation Channel but payments made were not supported by thumb impression or signature of the payees.

##### **c) Shortfalls, Lapses and Deficiencies – Nu.0.085 million**

###### **i. Excess payment of muster roll- Nu. 0.055 million**

The Gewog Administration had made excess payment of Nu. 0.055 million on account of muster roll payment for the renovation of Khomsar Irrigation channel. The excess payment had occurred due to payment made without observing the category of labourers engaged and rates applicable.

**ii. Non-adjustment of advances-Nu.0.030 million**

The Gewog Administration had outstanding advances of Nu. 0.030 million against an official.

**Nangkor Gewog**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu 0.125 million

**a) Violation of Laws and Rules – Nu.0.125 million**

**i. Payment made without receipt of materials- Nu.0.125 million**

The Gewog Administration had made payment of Nu. 0.125 million towards the procurement of farm machineries but the machineries were not received by the Gewog Administration.

**Goshing Gewog**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu 0.036 million.

**a) Violation of Laws and Rules – Nu.0.125 million**

**i. Excess payment due to adoption of incorrect rate- Nu. 0.036 million**

The Gewog Administration had made excess payment of Nu. 0.036 million in the purchase of materials for construction of public toilet at Lamtang due to payment made at rates higher than the quoted rates.

**3.6. Autonomous Agencies**

**3.6.1. Royal Bhutanese Embassy**

The total unresolved significant irregularities amounted to Nu. 0.772 million

**a) Fraud, Corruption and Embezzlement – Nu.0.157 million**

**i. Shortage of cash – Nu. 0.153 million**

The Paro College of Education had short deposit of revenue amounting to Nu. 0.153 million realized on account of rent, sale of tender documents and refund of stipends. Against the total collection of Nu. 324,626.00, only Nu. 172,070.00 was found deposited. The amount was recovered and the case was forwarded to the Anti Corruption Commission.

**ii. Non accountable of revenue – Nu. 0.004 million**

The Paro College of Education had not accounted the revenue of Nu. 0.004 million. The amount was collected through issue of money receipt but was neither accounted for in the cash book nor in the Revenue Accounting System. The case was forwarded to the Anti Corruption Commission.

**b) Violation of Laws and Rules – Nu. 0.080 million**

**i. Non reflection of amount in the duplicate copy of money receipts – Nu. 0.080 million**

The Paro College of Education had not recorded the revenue amount aggregating to Nu. 0.080 million in the duplicate copy of the receipt. As such the correctness of the amount realized could not be ascertained.

**c) Shortfalls, Lapses and Deficiencies – Nu. 0.535 million**

**i. Outstanding revenue – Nu. 0.260 million**

The Paro College of Education had outstanding revenue of Nu. 0.200 million on account of lease rent of book shop within the college campus and outstanding revenue of Nu. 0.060 million on account of canteen rent.

**ii. Outstanding advances – Nu. 0.049 million**

The Sherubtse College, Kanglung had outstanding advance of Nu. 0.049 million from its Alumni Account. It was found that the advance was taken for restoration of clock tower during the financial year 2009-10. Further, it was noted that neither the clock tower was restored nor the amount reimbursed.

**iii. Inadmissible payment – Nu. 0.226 million**

The Sherubtse College, Kanglung had made inadmissible payment of Nu. 0.226 million on account of salary during the study period exceeding one year. The payment of full salary for the study period exceeding 12 months is in contravention to the BCSRR 2010.

### **3.6.2. Royal Education Council**

The unresolved observation reflected in the AAR 2012 amounted to Nu. 1.368 million.

#### **a) Violations of Laws and Rules – Nu.1.368 million**

##### **i. Payment without bills – Nu. 1.368 million**

The Royal Education Council had made payment of Nu. 1.368 million towards the tuition fees and overseas student health cover of officials who were undergoing long term studies. However, the payment was not supported with requisite bills.

### **3.6.3. Bhutan Olympic Committee**

The total unresolved significant irregularities amounted to Nu. 12.654 million

#### **a) Mismanagement – Nu.2.132 million**

##### **i. Wasteful Expenditure – Nu. 2.132 million**

The Bhutan Olympic Committee made expenditure of Nu. 2.132 million in the construction of a basketball court in the synthetic track facilities at the Citizen Initiative Centenary Celebration ground which was completed in 2010. The basket ball court has not been brought to use so far. Unless the basketball court is put to proper use, the expenditure incurred may prove to be wasteful.

#### **b) Violations of Laws and Rules – Nu.9.935 million**

##### **i. Direct award of work – Nu. 9.935 million**

- a) The Bhutan Olympic Committee had directly awarded the construction of the basketball court in the synthetic track facilities at the Citizen Initiative Centenary Celebration ground to M/s Master Construction at the quoted amount of Nu. 1.989 million.
- b) The Bhutan Olympic Committee had directly awarded the consultancy services of engineering design and supervision work of the construction of shooting shed cum office and 50 bedded hostel to a non Bhutanese individual at Nu. 2.352 million. It was found that the direct award was made as no other firms came forward when the tenders were floated in the media. Further, the said consultant was not registered with the Construction Development Board (CDB).

- c) The Bhutan Olympic Committee had directly awarded the work of construction of prefab office cum shooting shed and walk way to M/s Green Wood Manufacturing Corporation, Phuentsholing at Nu. 5.594 million without calling quotations.

**c) Shortfalls, lapses and deficiencies - Nu. 0.587 million**

**i. Irregular payment – Nu. 0.587 million**

The Bhutan Olympic Committee had made irregular payment of advances amounting to Nu. 0.587 million in the work of drawing, designing, preparing estimates, getting approval and supervision of construction of office cum archery shed and 50 bedded hostel. It was found that the works which were supposed to be completed by 30<sup>th</sup> May 2011 have not been started at the time of audit (April 2012). As such the admissibility of payment made to the consultant was found irregular.

**3.6.4. Bhutan Football Federation**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 1.613 million.

**a) Shortfalls, lapses and deficiencies - Nu. 1.613 million**

**i. Irregularities in advances – Nu. 0.040 million**

The Bhutan Football Federation had made inadmissible payment of advance amounting to Nu. 0.040 million to M/s Rang Lug Consultant for the consultancy services under the Goal Project II. It was noted that the project was fully funded by FIFA and the consultant was to be paid directly by the FIFA and not by the BFF.

**ii. Non deduction of TDS – Nu. 0.316 million**

The Bhutan Football Federation had not deducted 2% TDS amounting to Nu 0.316 million (US \$ 5,892.40) in the consultancy services provided by various consultants.

**iii. Outstanding Advances – Nu. 1.257 million**

The Bhutan Football Federation had outstanding advances of Nu. 1.257 million against various officials.

### **3.6.5. Tourism Council of Bhutan**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.348 million.

#### **a) Shortfalls, lapses and deficiencies - Nu. 0.348 million**

##### **i. Irregular Payment – Nu. 0.348 million**

The Tourism Council of Bhutan had made irregular payment of Nu. 0.348 million on account of penalty for delay in the payment for the procurement of tractor. It was found that the penalty was not covered by the terms and conditions of the supply.

### **3.6.6. Judiciary**

The total unresolved significant irregularities amounted to Nu. 0.850 million as summarized below:

#### **a) Violation of laws and rules - Nu. 0.850 million**

##### **i. Non levy of liquidated damages – Nu. 0.615 million**

The DANIDA project, “Institutional Strengthening of Mongar District Court and Access to Justice” implemented by the Supreme Court had not levied liquidated damages of Nu. 0.615 million for delay in the completion of construction.

##### **ii. Non realization of fines – Nu. 0.235 million**

The Royal Court of Justice, Dagana had not realized the fine of Nu. 0.235 million from the contractor who had been penalized for submitting falsified documents that facilitated and enabled him to achieve higher bid capacity at the time of evaluation.

### **3.7. Corporations**

#### **3.7.1. Penden Cement Authority Limited**

During the period the Royal Audit Authority had audited Penden Cement Authority Limited and the total unresolved significant irregularities amounted to Nu. 3.906 million.



**a) Fraud, Corruption and Embezzlement - Nu. 1.538 million**

**i. Possible deflection of cement en-route and recoverable amount**

There were indications of possible deflection of cement en-route from the PCAL factory to the Depot at Phuentsholing. It was noted that 245 MT of cement valued at Nu. 1.265 million had not reached the Phuntsholing Depot even as of the date of audit ( June 2012) after it was dispatched from the factory in March and April 2012.

**ii. Shortage of cement – Nu. 1.538 million**

The Phuentsholing Depot had a shortage of 288.68 MT of cement valuing Nu. 1.538 million detected during physical verification carried out by a team of four officials from PCAL during change of depot managers.

**iii. Irregularities in engagement of transporters**

The PCAL had awarded the additional transportation contract to M/s Dupwang Transport at the lowest rate of Nu. 272.00 per MT quoted by Tshewang Transport without any basis of selecting among 8 other bidders. However, it was cancelled and transportation contract was directly awarded to eleven transporters at Nu. 220.00 per MT through issue of work order.

**iv. Non monitoring of sales made by cement agents**

Review of the records maintained by two select agents revealed that neither the Depot in-charge nor the officials from the Sales and Marketing Division had visited these agents to monitor the sales made thereof and to ensure that sales made were to domestic customers. Further, there were discrepancies in the sales figures reported to the Sales and Marketing Division and the actual sales made during the year by these agents.

**b) Mismanagement -Nu. 1.438 million**

**i. Irregular purchase of land belonging to the spouse of a Board Director**

The Penden Cement Authority Limited had purchased one acre land directly from Mrs. Rinzin Rabgay, spouse of Karma Tenzin, Board Director in 2011 for the construction of a cement depot at Gelephu but it was not constructed. A review of the offers received found that Rinzin Chophel offered the lowest rate of Nu. 53,500.00 per decimal. The Purchasing Committee decided to accept the lowest offer but was overruled and hence went for a direct

purchase at the same rate offered by Mrs. Rinzin Rabgay. It was a clear case of conflict of interest in the purchase of land.

**ii. Wasteful expenditure – Nu. 1.438 million**

- a) The PCAL had engaged one Board Director as a consultant on remuneration basis to identify the land for depot construction in the Thimphu region. The need for engaging a consultant was also questionable as the PCAL had taken the land on lease which was identified by itself and not the one recommended by the Consultant. It was also found that as of date, the land taken on lease has not been put to use, although the PCAL had already started incurring expenses on account of rent.
- b) The consultancy works of “Studying planning the organizational Re-structuring, Human Resource and functional set-ups towards combination through merger, amalgamation or in any other form of PCAL and Dungsam Cement Corporation Limited (DCCL)” was awarded to Druk Holding & Investment (DHI). The proposal to merge PCAL and DCCL was not approved by the Ministry of Finance resulting in wasteful expenditure to that extent.

**iii. Engagement of vehicles owned by the PCAL staff**

The PCAL had engaged vehicles belonging to its employees for transportation contracts in contravention to the directives of its 76<sup>th</sup> Board Meeting prohibiting engagement of vehicles owned by the employees for transportation contracts.

**c) Violation of laws and rules – Nu. 0.930 million**

**i. Direct award of work**

The Penden Cement Authority Limited had made direct award of consultancy work in carrying out a detailed feasibility study for the Gomtu-Dorokha/Denchukha Ropeway project to M/s Conveyor & Ropeway Services Pvt. Limited, Kolkata at the lump sum amount of Nu. 1.600 million. There were also delays in submitting the report for which liquidated damages of Nu. 0.080 million was not levied by the management. Further, it was noted that the bank guarantee submitted by the consultant had expired which may result in risk of recovery in the event of failure to complete the work.

**ii. Irregular purchase of gifts – Nu. 0.032 million**

The amount of Nu. 0.032 million was incurred for the purchase of an Apple I-pad as a gift item for the outgoing Chairman of PCAL. However, the value of the gift was over and above the ceiling prescribed in the Gift Rules issued by the Anti-Corruption Commission. Further, it was noted that the expenditure was booked under travel expenses which was not proper.

**iii. Non levy of liquidated damages – Nu. 0.385 million**

The Penden Cement Authority had not levied liquidated damages of Nu. 0.385 million on various suppliers for failure to supply the materials within the stipulated time.

**iv. Irregular waiver/non imposition of penalty – Nu. 0.513 million**

There was a case of irregular waiver of penalty amounting to Nu. 0.051 million on account of failure to raise the required quantity of limestone by the contractor. It was found that the penalty was waived off by the Senior General Manager (Mines) without the concurrence of the Management Committee. The PCAL had not levied penalty of Nu. 0.462 million on account of failure of supplier to raise required quantity of limestone at Penden Quarry Mines for the year 2011.

**3.7.2. State Trading Corporation Limited**

The total unresolved significant irregularity is as summarized below:

**a) Shortfalls, lapses and deficiencies**

**Non/Improper reconciliation of accounts**

The State Trading Corporation of Bhutan Limited had un-reconciled difference of Nu. 0.485 million in the Part wise summary ledger and Toyota Spare Parts stock not moved ledger.

**3.7.3. Bhutan Postal Corporation Limited**

**a) Violation of laws and rules**

**i. Leasing of building without tender formalities**

The Bhutan Postal Corporation Limited, Phuentsholing had leased out a building located in Phuentsholing town to a private individual without observing proper tender formalities. It was found that the lessee had further rented the building to other individuals at higher rates.

#### **3.7.4. Bhutan Power Corporation Limited**

The total unresolved significant irregularities amounted to Nu. 0.110 million.

##### **a) Shortfalls, lapses and deficiencies - Nu. 0.110 million**

###### **i. Non realization of material cost – Nu. 0.110 million.**

The Electricity Services Division, Trongsa had not realized the cost of Nu. 0.110 million incurred on substation items procured and supplied to the contractor by ESD in the construction of base substation for the extension of 33KV line.

#### **3.7.5. Food Corporation of Bhutan Limited**

The total unresolved significant irregularities amounted to Nu. 0.567 million as summarized below:

##### **a) Violation of laws and rules - Nu. 0.216 million**

###### **i. Acceptance of items beyond ordered quantity – Nu. 0.216 million**

The Food Corporation of Bhutan Limited had made excess payment of Nu. 0.216 million for the purchase made beyond the quantities specified in the purchase orders. It was also found that rates charged for the excess quantity were higher.

##### **b) Shortfalls, lapses and deficiencies - Nu. 0.351 million**

###### **i. Grant of credit facility without liquidating earlier dues – Nu. 0.351 million**

The Food Corporation of Bhutan Limited, Paro Depot had sold goods worth Nu. 0.351 million on credit to the Planters Commercial without liquidating previous dues in contravention to the Guidelines of the Credit Policy on the sale of Food Grain and Agency items.

#### **3.7.6. Construction Development Corporation**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.030 million.

##### **a) Mismanagement - Nu. 0.030 million**

###### **i. Short collection of hiring charges – Nu. 0.030 million**

There was a shortage in the collection of hiring charges by the Construction Development Corporation Limited, Hesothangkha, amounting to Nu. 0.030 million.

This shortage had occurred due to over writings on the log book which had reduced the number of hours recorded earlier.

### **3.8. Non Governmental Organizations**

#### **3.8.1. Royal Society for the Protection of Nature**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.062 million.

##### **a) Violation of laws and rules involving Nu. 0.062 million**

###### **i. Excess payment – Nu.0.062 million**

The Royal Society for Protection of Nature had made excess payment of Nu. 0.062 million in the work of ‘Laying granite on the staircase’. The excess payment had occurred due to payment made for more quantity of work than actually executed at site.

##### **b) Shortfalls, lapses and deficiencies**

###### **i. Unjustified payment on plinth protection and drain works**

The Royal Society for Protection of Nature had made unjustified payment for the work of plinth protection and drain around the office block and ERC building. It was found that the work was not executed.

#### **3.8.2. National Women’s Association of Bhutan**

##### **a) Mismanagement**

###### **i. Paper factory lying idle**

The National Women’s Association of Bhutan had kept the paper factory at Ngatshang, Mongar idle for over two years. It was primarily due to damages caused by earthquake in 2009. Since then, the NWAB had not been able to maintain it nor put it to use.

###### **ii. Non-maintenance of properties**

The National Handloom Development Centre, Khaling has two double storied buildings (office and staff quarter) constructed in 1986, which is in dire need of renovation/maintenance.

### **3.8.3. Tarayana Foundation**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.215 million.

#### **a) Shortfalls, lapses and deficiencies – Nu.0.215 million**

##### **i. Outstanding Advances – Nu. 0.099 million**

The Project Fredskorpset-Peacecom5 South-South Exchange Program implemented by Tarayana Foundation had outstanding advances of Nu. 0.099 million against various officials.

Differences in the amount reported in the Financial Statement and the amount as per payment voucher and supporting documents – Nu.0.116 million

### **3.8.4. Loden Foundation**

The total unresolved significant irregularities amounted to Nu. 0.200 million

#### **a) Shortfalls, lapses and deficiencies - Nu. 0.200 million**

##### **i. Default in loan repayment – Nu.0.200 million**

The Loden Foundation had granted interest free loan of Nu. 0.200 million to one individual to set up a culture guest house at Ura in December 2009 to be repaid after the expiry of the grace period of six months in installments. However, not a single installment has been received as on April 2012.

## **3.9. Political Parties**

### **3.9.1. Druk Phuensum Tshogpa**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 0.628 million.

#### **a) Shortfalls, lapses and deficiencies - Nu. 0.628 million**

##### **i. Accounts Receivables – Nu. 0.628 million**

The Druk Phuensum Tshogpa Secretariat had unadjusted advances lying against employees, party members and regional coordinators as on 30<sup>th</sup> June 2012 amounting to Nu.0.628 million.

### **3.9.2. Peoples Democratic Party**

The total unresolved significant observations reflected in the AAR 2012 amounted to Nu. 25.658 million.

#### **a) Violation of laws and rules - Nu. 25.658 million**

##### **i. Irregularities in Loan Outstanding – Nu. 21.721 million**

The People's Democratic Party had outstanding loan amounting to Nu. 21.721 million from BoBL which was liquidated by surrendering the land mortgaged in lieu of it. As the land belonged to the former PDP president, the amount now stands as borrowing from him which is not permissible by the Public Election Fund Act of the Kingdom of Bhutan 2008. Further, the PDP had not paid any loan installment to the incumbent as of July 2012.

##### **ii. Membership Application Form used as Money Receipts**

The People's Democratic Party had used the Membership Application Form as an acknowledgement instead of a Money Receipt, which is not a substitute of each other.

##### **iii. Accumulated Current Liabilities – Nu. 3.937 million**

The People's Democratic Party had accumulated current liabilities amounting to Nu.3.937 million. However, related documents in respect of current liabilities were not made available.

#### **b) Shortfalls, lapses and deficiencies**

##### **i. Missing Receipt Booklets**

The People's Democratic Party had cancelled 313 numbers of Money Receipt Booklets via print media to make them invalid. However, during joint physical verification, only 13 numbers of booklets were found while the whereabouts of 300 numbers of booklets were not known.

##### **ii. Un-reconciled 'Recoveries & Remittances**

The People's Democratic Party had remitted statutory deductions in excess of what was actually recovered.

### **iii. Irregularities in the Financial Statement**

The People's Democratic Party had un-reconciled figure between the amount shown in the Financial Statement and the amount reflected as per the supporting documents. It was found that the account head – *Establishment, Administrative and Financial* also had substantial difference in the amount reported in the Financial Statement and amount worked out based on the supporting documents.

### **3.10. Certification of Annual Financial Statement**

The Annual Financial Statement (AFS) of the budgetary operation of the Royal Government of Bhutan for the Fiscal Year 2011-12 was audited by the Royal Audit Authority (RAA) as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007. The Audit was conducted in accordance with the RAA's Auditing Standards and the Generally Accepted Auditing Standards (GAAS). The RAA has issued qualified audit opinion with regard to disagreement of accounts by Nu. 0.110 million. The Ministry of Finance has subsequently reported that the difference has been brought down to Nu 0.045 million which will be conformed during the next audit.

The RAA had carried out the certification of the individual Letter of Credit (LC) accounts of the budgetary agencies and the budgetary agencies included those that were accorded priority based on its categorization that are included in the Annual Audit Schedules 2011-12.

The approved budget for the Fiscal Year 2011-12 of the Royal Government was Nu. 37,923.257 million against an estimated resources of Nu. 32,546.035 million with a fiscal deficit of Nu.5,377.222 million. Given that the scheduled loan repayment of Nu. 2,353.410 was lower than the project tied borrowings of Nu. 2,403.196 million, the resource gap was estimated at Nu. 5,327.436 million. During the year, the outlay was revised to Nu. 38,716.170 million and the resources to Nu. 35,002.559 million. At the end of the Fiscal Year, the actual expenditure reported was Nu. 33,704.703 million against the realized resources of Nu. 32,192.735 million resulting into a fiscal deficit of Nu. 1,511.968 million.

As against revised capital budget of Nu. 22,232.868 million, the actual expenditure reported was Nu. 18,137.114 million with resultant underutilization of capital budget of Nu. 4095.754 million which is 18.4% of the revised capital budget. The Government debt as on June 2012 was Nu. 62,813.105 million.



### **3.11. Auditor's Report on the Royal Audit Authority for the Financial Year 2012**

The Royal Audit Authority had been audited by S. Ghose & CO, Chartered Accountants for the financial year ended 30<sup>th</sup> June 2012. The statutory auditors had no major findings and lapses during the financial year 2012 for RAA.

## **4. Recommendations of Royal Audit Authority**

Parliament to review and give appropriate directives on the recommendations contained in the AAR as follows:

### **4.1. Need to carry out assessment of implementation capacity of government agencies/local governments in undertaking the increasing quantum of developmental works.**

- a) Every year many agencies surrender their capital budgets at the end of the financial year. This money could have been better utilized by some other agency where budget fell short.
- b) Insufficient Human Resources at the Dzongkhags and Gewogs
- c) Utilization of available resources through better management and coordination

### **4.2. DPR should be made more accurate and reflective of actual geological conditions.**

- a) There should be mechanisms established to hold the consulting firms or agencies liable for the time cost overruns as a result of inaccuracy in DPR.
- b) The need for conducting preliminary studies such as topographic and geo-tech studies should be clearly stipulated in the Procurement Rules and Regulations.

### **4.3. BoQ should more accurately reflect quantities of excavation works.**

- a) Unrealistic BoQ.
- b) Excavation works beyond quantities specified in the BoQ leads to increased cost, thus due diligence should be exercised by the project management to develop realistic BoQ. e.g some case exceeds even by 1000% than in BoQ.

### **4.4. Need to encourage mechanization of construction industry and innovation in building and other construction works.**

Government must explore the possibilities of mechanizing the construction industry to reduce the demand for expatriate workers as well as to reduce the out flow of foreign

reserves. (To reduce the out flow of INR, which is estimated at 256 m Rs as annual remittance)

#### **4.5.Need to ensure realistic time stipulation of constructions.**

Executing agencies to stipulate workable and realistic duration of construction based on magnitude of work and other applicable parameters such as monsoon, snowfall and situation across the borders.

#### **4.6.Need to review the causes of abandonment of rural houses for reversal of trend.**

- a) With an increasing trend of rural urban migration there appears under utilization of infrastructure and facilities being provided in the rural communities.
- b) PAC recommends MOHCA to find out total number of abandoned houses and its causes in the rural areas. e.g Pemagatsel Dzongkhag alone has 633 households as per AAR, 2012.

#### **4.7.Need to avoid rush expenditure at the close of the financial year though appropriate directives.**

- a) Rush of expenditure is due to lack of proper planning and implementation caused through systemic flaws in budgeting process for proposed activities. .
- b) Appropriate directives to reduce incidences of unnecessary, unbudgeted and unplanned purchases made by the spending agencies.

#### **4.8.Need to develop policy framework for leasing of government land**

*Note: The performance audit on Leasing of Government land, GRF land and Mines is under review by the PAC and we will present the report at later session.*

#### **4.9.Need to undertake assessment of environmental & social impact for mining operations**

#### **4.10. Need to test the performance and operational effectiveness of new systems developed prior to changeover.**

All new systems developed should be properly tested prior to change over of the system. Proper system development guidelines need to be developed and issued to ensure that all measure system developments go through requisite processes and system testing including parallel running for some period of time.

## **5. PAC Recommendations**

- 5.1 RAC recommends RAA to resolve all pending issues of Annual Audit Report 2008-2010 with the concerned agencies within 30<sup>th</sup> April, 2014. Further, all agencies should be directed to resolve issues pertaining to AAR 2011 and 2012 by 30<sup>th</sup> November, 2014.
- 5.2 Significant irregularities has been observed in PCAL both in Annual Audit Report-2011 and 2012, hence the PAC directs the ACC conduct a special investigation based on the RAA reports and submit a report thereafter to the Parliament.
- 5.3 There are a number of cases under investigation with the ACC and the OAG. The committee recommends ACC and OAG to expedite the investigation process and take necessary action accordingly.
- 5.4 Of the 26 thematic and performance audit reports, the First Parliament had deliberated upon about 15 reports. The PAC would like to direct RAA to undertake a follow up on all the past reports and submit the status report in the forth coming session(s).
- 5.5 The PAC seeks the permission of the House to delegate the review of some of the updated Performance & Thematic Audit Reports to relevant Committees in both Houses. The deliberation on these reviews may be conducted by respective Houses individually without routing it through the PAC at a Joint Session. Such a step is necessary to clear the backlog.
- 5.6 While Annual Audit reports on financial aspects will be presented for deliberation, the PAC seeks the approval of the House to table and deliberate on the various Performance and Thematic Audit Reports during every Winter Session of Parliament.

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### 3.2. REVIEW REPORT OF AAR 2011

The Royal Audit Authority has submitted its RAA Report 2011 to the 9<sup>th</sup> session of the 1<sup>st</sup> parliament in May, 2012. At the time of submission the total unresolved irregularities was Nu. 770.140 million, however, a total of Nu. 406.979m (52.84%) has been resolved after RAA conducted several follow-up activities with the concerned agencies. A balance of Nu. 363.161m (47.16%) is now still to be resolved.

## MINISTRIES

### a) Ministry of Foreign Affairs

1. **Fraud, Corruption, Embezzlement:** There are three cases amounting to Nu. 5.565 m pertaining to Royal Bhutanese Embassy Bangkok under Ministry of Foreign Affairs comprising of the following

#### 1.1 USD Special Account Shortage (Nu. 5.288m)

The Royal Bhutanese Embassy, Bangkok had unreconciled shortage of USD 100,716m in the special Account maintained with BKK bank for three financial years 2008-2009, 2009-2010, 2010-2011.

#### 1.2 Discrepancies in Books of USD Accounts (Nu. 0.150m)

The Royal Bhutanese Embassy, Bangkok had cash shortage of US\$ 2856.67 in the USD account at the end of financial year 2009-2010.

#### 1.3 Double payment for medical expenses (Nu. 0.128m)

The BKK embassy has made a double payment of Thai Bath amounting to Nu. 78,985 on account of medical expenses for embassy staff and their family members.

2. **Shortfalls, Lapses & Deficiencies:** Three cases amounting to Nu. 186.023m against Ministry of Foreign Affairs for;

#### 2.1 Irregular payment

The Royal Bhutanese Embassy, Bangkok has made a total irregular payment of Nu. 1.443m as Representational grants and Children's Education Allowance.

#### 2.2 Outstanding advances

The Royal Bhutanese Embassy, Bangkok and Permanent Mission of Bhutan in New York has outstanding advances Nu.4.489m against various officials and private parties.

#### 2.3 Non production of supporting documents

The Royal Bhutanese Embassy Bangkok had not produced supporting documents for expenditure amounting to Nu. 180.091m incurred during last

**b) Ministry of Information and Communication**

- 1. Mismanagement:** Six cases amounting to Nu. 76.433 m lies against Road Safety and Transport Authority (RSTA) under MoIC.

**1.1.**Renewal of motor vehicles without annual fees- (Nu.0.575m)

**1.2.**Discrepancies in issue of receipts for renewal of vehicles- (Nu. 10.456m)

**1.3.**Renewal of motor vehicles with Insufficient annual renewal fees (Nu. 0.578m)

**1.4.**Renewal of Driving License without fees (Nu. 0.161m)

**1.5.**Renewal of driving license with nonexistent/duplicate receipts (Nu. 0.654m)

**1.6.**Outstanding revenue fees balance: (Nu. 64m)

*All the six cases once forwarded to ACC, were later returned to RAA for review.*

**c) Ministry of Health:**

- 1. Violation of laws and Rules:** Three cases amounting to Nu. 11.848 lies against Ministry of Health for

**1.1 Procurement without tender (Nu. 10.127m)**

The Health Liaison Office, Kolkata had made an procurement of named patients drugs and Non-quoted drugs amounting to Nu. 10.127 m in the financial year 2008-2009 without calling for a tender.

**1.2 Payment without approved budget (Nu.1.721m)**

The Secretariat MoH had made payment of Nu. 1.721m for long term training of an official without provision of budget. The training was approved under the funding of WHO. The Ministry has sought approval of GNH to internally adjust the interim requirement, yet no reimbursement was made from WHO to the LC account of the Ministry.

**1.3 Outstanding advances (Nu. 0.115m)**

The Ministry had outstanding advances of Nu.0.115m against various officials.

**d) Ministry of Work and Human Settlement**

- 1. Violation of laws and Rules:** The Ministry has made inadmissible payment amounting to Nu. 1.524m for various lapses like delay in Construction of Bridge, non utilization of machinery in Ministry's Road Network Projects.

2. **Shortfalls, Lapses &Deficiencies:** One case amounting to Nu. **15.588m** against Field Division, Dept.of Roads Phuntsholing for not adjusting the mobilization advances released to the contractor in the construction of Amochu Bridge even after termination of contract due to poor performance of the contractor.

**e) Ministry of Agriculture and Forest**

1. **Violation of laws:** The Ministry has two cases amounting to Nu: 0.052m for non levy of liquidity damages for delay in construction of water supply at the Regional Livestock Development center, Wangdue and Non renewal of contract terms of five forest guards employed at JDWNP, Damji.
2. **Shortfalls, Lapses &Deficiencies:** The Ministry has three cases amounting to Nu: 0.418 million. The details are as follow;
  1. Inadmissible payment of Nu:o.174 made by Livestock breeding program, yusipang for construction of 3 units staff Qrt.
  2. Excess payment of nu:0.229m made by National livestock breeding program Yusipang in construction of 2 units staff Qrt.
  3. Irregular payment of Nu: 0.015m made by MOFA, Secretariat as TA/DA for its staff without actually performing the tour.

**f) Ministry of Economic Affairs**

1. **Violation of laws and Rules:** One case amounting to Nu: 1.029 m lies against Department of Trade, MoEA for over-charging of consumers. The MoEA had made the transit insurance of POL products mandatory along with revised pricing structure of petroleum products w.e.f July 2009. However, the Dept. of Trade had not enforced the Ministry's directives which resulted in overcharging of consumers by Nu.1.029m.
2. **Shortfalls lapses and deficiencies:** A case against Department of Geology and Mines for not carrying forward the outstanding advances of subsequent financial years of 2008-2009, 2009-2010.

**g) Ministry of Finance**

1. **Shortfalls lapses and deficiencies:** The Ministry has one case amounting to Nu: 0.384m against Liaison and Transit office, Royal Bhutan Custom, Kolkata as outstanding advances against various officials.

#### **h) Ministry of Education**

- 1. Shortfalls and Lapses and Deficiencies:** The secretariat of ministry has outstanding advances of Nu: 0.028m against various employee and suppliers.

#### **i) Ministry of Labour and Human Resources**

- 1. Fraud Corruption and Embezzlement:** The Ministry has one case amounting to Nu: 0.057m against Samthang Institute of Automobile Engineering for manipulation of records which had resulted in irregular payment.

### **DZONGKHAGS**

#### **1. Chukha Dzongkhag**

- 1.1 Sortfalls Lapses and Deficiencies:** The Dzongkhag has two cases amounting to Nu. 0.182m for making excess payment in construction of urban road site development and various construction works.

#### **2. Dagana Dzongkhag**

- 1.2 Fraud, Corruption, Embezzlement:** The Dzongkhag has irregularity of Nu.1.374m for collusive price fixing in construction of Drupkhang at Shathong Gonpa. (The case was forwarded to ACC.)

#### **3 Gasa Dzongkhag**

- 3.1 Shortfalls, lapses and Deficiencies:** The Dzongkhag has a balance amount of Nu: 0.039m for outstanding advances against various officials and Nu. 0.022m for non-deduction of liquidated damages from the construction works at Tsachu.

#### **4 Haa Dzongkhag**

- 4.1 Voilation of Laws and Rules:** The Dzongkhag Administraion failed to carry out the rectification works noted in the construction of wooden bridge funded by JICA in Girina.

#### **5 Pemagatshel Dzongkhag**

- 5.1 Shortfalls, lapses and Deficiencies:** The Dzongkhag with Nu.4.08 lakhs for Non deduction of rebate from the construction of Principal Quarter at Gashiri Pry. School under Ngalam Dungkhag.

#### **6 Punakha Dzongkha**

**6.1 Shortfalls, lapses and Deficiencies:** The Dzongkhag had made an excess payment of Nu.0.102m in construction of meeting hall at Talo Gewog and also made an outstanding advances of Nu. 0.172m against various officials, suppliers and contractors.

## **7 Samtse Dzongkhag**

**7.1 Shortfalls, lapses and Deficiencies:** The Dzongkhag has outstanding advances of Nu. 0.154 m against various officials and private parties.

## **8 Sarpang Dzongkhag**

**8.1 Voilation of Laws and Rules:** The Dzongkhag has an amount of Nu. 3.807m for not staking the blasted rocks at the identified site at the construction of Dunlungang-pangkhey farm road under Dovan Gewog, as it required contractor to collect and stake the blasted rocks within periphery of 1500m from the excavation point in order to re use at later stage.

**8.2 Shortfalls, Lapses &Deficiencies:** The Dzongkhag has an amount of Nu.0.068m as an outstanding advances against various officials.

## **9 Trashiyangtse Dzongkhag**

**9.1 Violation of laws and Rules:** The Dzongkhag had booked the sum of nu. 6.239m as a final expenditure under closed works for various incomplete construction as on June 30<sup>th</sup>,2011. The amount was found deposited into refundable deposit account for future payments.

## **10 Zhemgang Dzongkhag**

**10.1 Violation of laws and Rules:** The Dzongkhag has not completed various items of works at the construction of Principal Quarter at Komshar Primary School, which was taken up departmentally.

**10.2 Shortfalls, Lapses &Deficiencies:** The Dzongkhag has an outstanding advances of Nu: 0.252m against various officials, suppliers and contractors.

## **GEWOG ADMINISTRATIONS**

### **1. Gewogs under Chukha Dzongkhag.**

#### **1.1 Doongna Gewog**

**a) Management:** The Gewog had made a wasteful expenditure of Nu. 0.077m in construction of Ngalachung irrigation channel.



### **1.2 Phuntsholing Gewog**

- b) Shortfalls Lapses and Deficiencies:** The gewog Administration has made irregular advances to the contractor in the construction of ORC at Panbari.

### **1.3 Bjagchhog Gewog**

- c) Mismanagement:** The Gewog had not completed the construction work of Lhakhang which was given on lump sum amount of Nu:0.200 m for the period of three months.
- d) Violation of Laws and Rules:** The Gewog administration has changed the approved drawing of lhakhang without obtaining prior approval from the department of culture.

## **2. Gewogs under Dagana Dzongkhag**

### **2.1 Tshangkha Gewog**

- a) Shortfalls, Lapses and Deficiencies:** The Gewog has carried out substandard works in construction of ORC at Salamji.

### **2.2 Khebesa gewog**

- b) 2.1 Fraud, Corruption, Embezzlement:** The Gewog has not accounted the rural taxes amounting to Nu0.021m collected in 2009.

## **3. Gewogs under Samtse Dzongkhag**

### **3.1 Sipsu gewog**

- a) Mismanagement:** The Gewog has made wasteful expenditure of Nu: 0.097m in construction of PCC channel and RCC intake at source.

## **4. Gewogs under Samdrupjongkhar**

### **4.1 Pemathang Gewog**

- a) Violation of laws and Rules:** The Gewog has not constructed the collection chambers in maintenance works of farm road from Kharbandi to Dungkarling.

## **5. Gewogs under Wangdue Dzongkhag**

### **5.1 Kazhi Gewog**

- a) Mismanagement:** Kazhi Gewog under Wangdue had not collected rural taxes for the 2010.

## **AUTONOMOUS AGENCIES**

### **1. National Land Commission**

- 1.1. Fraud, Corruption, Embezzlement:** A case against National Land Commission for regularizing excess land under Thimphu City Corporation was forwarded to ACC.

**1.2.Shortfalls, Lapses &Deficiencies:** National Land Commission with Nu. 37,000 as outstanding advances against various officials and parties.

- i. Sherubtse College under RUB with Nu. 23,000 as outstanding advances against various officials.
- ii. Sarpang District Court under Judiciary with Nu. 7.29 lakhs as outstanding advances against various officials and parties.
- iii. Tourism Council of Bhutan with Nu. 71,000 for unjustified fuel expenses.
- iv. National Commission for Women and Children (NCWC) with Nu. 6.28 lakhs for non account of advances paid for their program officers and other implementing agencies for carrying out Annual Work Plan activities.

## **CORPORATIONS:**

### **1. Penden Cement Authority Ltd**

**1.1 Fraud, Corruption, Embezzlement:** PCAL has shortage of 53.97 MT of cement at S/Jongkhar depot.

**1.2 Mismanagement:** PCAL with Nu. 30.69 lakhs for non imposition of penalty for the supply of sub standard coals to the factory.

#### **1.3 Shortfalls, Lapses &Deficiencies:**

1. PCAL with Nu. 31.754 m for outstanding credit sales lying against M/s National Hydro Power Plant Ltd, Delhi. It was also found that some of the outstanding amounts were as old as ten years.
2. PCAL with Nu. 1.895m for payment made towards goods (392.33MT clinkers) not received even after a year from the date of placing the order.
3. PCAL with Nu. 4.639 m as debit balances against sundry creditors of various parties.

## **FINANCIAL INSTITUTIONS**

### **1. Bhutan Development Bank Ltd.**

#### **1.1 Fraud, Corruption, Embezzlement**

- i. BDBL had used free hand drawing prepared by M/s Wood World for inviting rates from M/s Woodcraft center in furnishing the office building.(The case was forwarded to ACC).
- ii. BDBL made inadmissible advance payment of Nu. 8.1 lakhs for furnishing office building.

- iii. BDBL made fictitious payment of Nu. 3.1lakhs without actually receiving the goods. (The case was forwarded to ACC)

## **1.2 Violation of laws and Rules**

- i. BDBL has made procurement of Nu. 3.798m without tendering in furnishing its newly constructed new head office building. (The case was forwarded to ACC)
- ii. BDBL has made direct procurement of additional furniture worth Nu.0.437 m from the same firm M/s Wood World. (The case was forwarded to ACC).

**1.3 Shortfalls, Lapses &Deficiencies:** BDBL has made excess payment of Nu. 6.38 lakhs in procuring cubicles with file cabinets. (The case was forwarded to ACC).

## **NON GOVERNMENT ORGANISATIONS**

### **1. Bhutan Chamber of Commerce of Industry**

- 1.1 **Shortfalls, lapses and deficiencies:** BCCI , Phuntsholing has outstanding membership fees amounting to Nu.0.444 m from the business communities.
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